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TAGS: ECON EAID PGOV LT

SUBJECT: "LESOTHO PROMISE" PROVES PROMISE OF DIAMOND MINING

REF: MASERU 302

¶1. Summary: "Lesotho's Promise," a 603 carat white stone found at Letseng Diamond Mine in August, recently sold for USD 12.4 million at the World Diamond Center in Antwerp. The stone, the fifteenth largest diamond in the world, was sold by auction to the South African Diamond Corporation, partly owned by the London-based luxury jeweler, Graff Jewelers. The GOL will receive a seven percent commission on the sale. The Lesotho Government's move in July of this year to increase its share in the Letseng Diamond Mine now appears quite fortuitous. End Summary.

¶2. Named "Lesotho Promise," the 603 carat white diamond found in the Letseng Mine in August was graded as a Class D stone - the highest grade reserved for stones with no color imperfections. It is the largest raw diamond found worldwide in the last 13 years. At the same mining location in 1967, locals using surface mining techniques discovered a 601 carat stone dubbed the "Lesotho Brown" (referring to its color).

¶3. The Letseng Diamond Mine, located in the northeast mountain district of Mokhotlong, was originally opened in 1973 under operation by DeBeers. DeBeers closed the mine in 1982 due to a royalty dispute with the GOL. Mining was resumed in December 2003, by Johannesburg Consolidated Investments (JCI) and Matodzi Resources (reftel). The mine was subsequently sold to Gem Mining Company in July this year, at which time the GOL increased its stake in the mine from 26% to 30%.

¶4. The GOL will receive a seven percent royalty on the sale of the "Lesotho Promise" stone. These proceeds will be put towards the repayment of a loan which the GOL received to expand its share in the Letseng Diamond Mine.

¶5. Comment: The resumption of diamond mining in the Lesotho highlands has made a considerable contribution to the country's export earnings. Exports to the EU this year, consisting mainly of diamonds, make up roughly 20% of the country's external trade. Although high-value stones are a rare find in Lesotho, diamonds from Letseng are of a quality and size that investors have found well worth the trouble posed by difficult conditions and remote mining operations. End Comment.

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